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APPRAISING THE LEGACY OF BANDUNG: A VIEW FROM INDIA

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This paper attempts to explain the reasons for the decline in India's interest in Afro Asian solidarity in the aftermath of the Bandung conference of April 1954 and its revival in the 1990s. Jawaharlal Nehru could not revive the spirit of Bandung after 1954. In the 1980s, efforts by India to revive its relationship with South East Asia did not meet with a warm response. The question of Bandung's legacy is especially pertinent, as India's "Look East Policy" had met with success in the aftermath of the Cold War. This policy coincided with India's shifting its development strategy from one that emphasized an autarkic self-reliant strategy of economic development to one that would be more comprehensively based on global economic integration. How is India's present policy towards East Asia different from its past policy? What can India do to ensure that some of the pitfalls of the past may not be repeated?

This paper makes two central arguments. First, strategies of regionalism in Asia, which were based on economic integration of the region, needed partners who desired such integration. If states emphasized a model of development based on a closed economy, regional initiatives would not succeed. Second, regional integration had a strategic face. There was greater likelihood of economic cooperation among strategic friends.

India's tryst with East Asia remained subdued till the end of the Cold War for economic and strategic reasons. The legacy of the East India Company, the large Indian market, and the dominant Indian development ideology of the 1950s and the 1960s, stressed the need for an inward oriented route to development. These factors reduced India's need for economic partners. Second, as the world got divided into military blocs in the 1950s and 1960s, India was not on the side of those countries, which were closer to the US and embraced global economic integration as a route to development. The US and Japan became actively involved with the development of like-minded countries in East Asia. India's non-alignment, especially its proximity with respect to the USSR, was viewed with suspicion and distrust by the US and its friends. India could not become a part of the co-prosperity sphere that drove the development of East Asia.

I shall first posit arguments about regionalism by considering two important reasons for the success of preferential economic arrangements in East Asia. In the next section, I will evaluate the consequence of these arguments for assessing the legacy of Bandung for India. The final section will sum up the lessons that could be learnt from the legacy of Bandung and will argue that the region needed to avoid the contradictions that characterized the relationship between India and East Asia during the period between 1955 and the end of the Cold War.

Two Reasons for Regionalism in East Asia

The Economic Factor

An important *economic reason* for regionalism could be geographical and cultural proximity. Certainty in the regional regulatory framework governing a liberal trade regime could cut costs. Such a regime could include regulatory mechanisms related to harmonized product standards, low tariffs and non-tariff barriers, easy access to port and customs facilities, acceptable rules of origin,¹ transparent production subsidies, and, national treatment² for foreign service providers. If geography and culture facilitated regional economic governance, then a geographical region could become a source of comparative advantage, thereby facilitating intra-regional investment and trade.

A few examples will highlight the relationship between geography and trade in the Indian context. In 1996, India became Sri Lanka's pre-eminent source of imports, even though there was no preferential trade arrangement within the two countries. It took just five years of economic liberalization for India to beat Japan to the second place. Sino-Indian trade grew by \$ 10 billion between 2000 and 2004. Illegal trade between India and Pakistan, and, India and Bangladesh, were robust, despite the trade barriers.

Southeast Asia had moved in the direction of reducing investment barriers in a manner that did not discriminate against non-regional investments in a big way. Initially, the Association of South East Asian Nations (ASEAN) adopted a plan to create an ASEAN Investment Area (October 1998), which stipulated full market access and national treatment privileges in the manufacturing sector for ASEAN investors by 2010, and, for all foreign investors by 2020. When sectors like agriculture, forestry, fisheries and mining were included and the program was accelerated, ASEAN investors got the investment privileges in the manufacturing sector by 2003 but the rest still had to wait till 2020. In September 2001, it was decided to reduce the distinction between foreign and domestic investors by 2010 rather than 2020. This was a response to China's ability to attract the bulk of investments that would

¹ Product standards often impeded trade even when customs and non-tariff barriers were low. Standards often allowed countries to define products and services in a way that might be tough to meet in foreign countries. Oftentimes, such standards in goods and services trade existed only for protectionist reasons. For example, if you needed a US degree to be a chartered accountant (CA) in the US when such training was available elsewhere, this would raise the cost of becoming a CA in the US for talented people all over the world. Second, regional or bilateral arrangements have rules of origin, which are designed to ensure that a third country does not use a free trade arrangement to sell its goods or services within a member country. Such rules would ensure that a certain amount of value addition should have taken place within a member before it could be exported to another member country.

² National treatment for service providers suggests that foreign firms providing services in a particular country should enjoy all the privileges enjoyed by domestic firms.

have gone to ASEAN countries in the early 1990s, and, the economic downturn in the US. If ASEAN countries needed investments, they could ill-afford to discriminate against non-ASEAN investments in a big way.

This logic of integration worked well in East Asia. Intra-regional trade as a proportion of total trade in East Asia rose from 36% in 1980 to 50% in 1994. For the Asia Pacific region as a whole the same figures were 59% and 74% respectively.³ Japan led the way in showing how export orientation with state direction was conducive for development in the 1950s. This was followed by the second wave of growth in South Korea, Taiwan and Singapore from the 1960s; and, by a third wave of export oriented industrialization in countries such as Malaysia, Thailand, Philippines and Indonesia. China adopted the same strategy in the late 1970s, Vietnam in the mid-1980s, and, India only in the early 1990s. Japanese aid to the region increased from \$ 502 million in 1975 to \$ 3.6 billion in 1998. Foreign direct investment inspired by Asian production networks built by Japan played an important role in the development story. The magnitude of such investment increased from \$ 4.1 billion in 1985 to \$ 69.9 billion in 1998. The East Asian economic crisis did not produce beggar thy neighbor policies that would hurt countries within the region affected by the crisis. According to one estimate, Japan provided the region with over \$ 80 billion in aid, and, China did not depreciate its currency to hurt the competitiveness of the countries afflicted by the financial crisis.

Some might puzzle over the fact that East Asia did not have formal mechanisms of regional governance of the kind that had facilitated commerce within Europe. Europe, after all, had a common currency, and, negotiated as one player within the World Trade Organization. Intra-regional trade as a proportion of total trade within the member of the ASEAN countries hovered around 20% between 1967 and 1994.

Asian regionalism has been viewed as an inclusive or open regionalism. It was based on geographical proximity and economic complementarities rather than one being based on supranational institutions, which required states to renounce sovereignty. Economic integration among the ASEAN and the APEC countries showed how open the region was. It was dependent on US and Japanese capital and markets. It was based, on average, on a commitment to non-discrimination and a willingness to include new members or partners who could contribute to the Asian growth story. For example, if ASEAN countries reduced

³ East Asia included Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, China, Hong Kong, Japan, South Korea and Taiwan. Asia Pacific included the eleven economies plus the United States, Canada, Mexico, Australia, Chile, New Zealand and Papua New Guinea, which were members of the Asia Pacific Economic Cooperation (APEC).

tariffs and investment barriers towards the rest of the world, comparative advantage rather than strategic trade would bring capital and traded products and services into the region. The important aspect to consider about Asian economic regionalism was that it promoted global economic interdependence through increased trade and investment flows, with strong states attending to the creation of comparative advantage. Those who did not participate in this process, or came to embrace it much later, remained much poorer than those who participated in it.

The Political Factor

Are security considerations, quite separate from considerations of comparative advantage, important for deciding the extent of trade with certain countries? An alternative logic of global economic coordination could be that international rules, in the absence of legitimate international authority, reflected the global distribution of power. Powerful states in the international system tried to maintain their relative power with respect to other states in the international system. International rules reflected the interests of the powerful states rather than any legitimate social or economic purpose.

The pursuit of relative power and wealth were intimately related to the question of gaining more from international rules compared with other states in the system. This pessimistic environment for international economic management has been used to argue that large country – small country trade was especially dangerous for the small country, because the large could exploit the dependence of the weak in bilateral or regional settings. Albert Hirschman showed how Germany used its preferential bilateral trading arrangements with its Eastern neighbors to make them vulnerable. This was put to good use on the eve of World War II, when these countries had no where to go to find substitute sources of imports and exports that came from Germany.

This proposition is inadequate for comprehending the roots of economic interdependence in Asia. Small countries like South Korea, Taiwan and Singapore built up their trade with large countries like the US. Even within the ASEAN region, Singapore and Brunei were much smaller than Malaysia or Indonesia. The majority of the states in East Asia followed either a state directed export oriented or laissez faire trade policy, which emphasized the importance of wealth creation through trade rather than dependence and vulnerability.

How could states in East Asia focus on comparative advantage when considerations of vulnerability and dependence characterized many other parts of the world? Scholarship in international political economy has tested the hypothesis that trade was more likely among allies, who had a common purpose in collective security, rather than adversaries. Trade among allies enhanced the aggregate political and military power of states, which had a common goal in securing themselves against a common enemy. Vulnerability and relative gains was less a predicament within an alliance or security community than among adversaries. It increased the security of the collective with respect to those who could exploit the vulnerability of like-minded states.

Statistics and historical evidence revealed that trade among allies was greater than trade among adversaries. The United States wished to reconstruct Europe and Japan and maintain the Canadian economy, to fight communism after the end of World War II. Dean Acheson was of the view in the 1940s:

The preservation and development of sound trading relationships with other countries of the free world is an essential and important element in the task of trying to build unity and strength in the free world (Mansfield and Bronson, 1997, 104).

Denial of trade benefits to adversaries was equally important. By the early 1950s trade between the US and the Eastern bloc was negligible. The US had a stake in South Korea's prosperity, as this would increase its security against the North and the Soviet Union. It pushed South Korea towards this export-led growth and the two countries developed a very special economic and trade relationship based on strategic factors. The United State's economic relations with China improved after its relations with the USSR got strained.

Mansfield and Bronson found that alliances, preferential trading arrangements and the presence of a major power had a positive impact on trade flows even after controlling for factors such as GATT membership, influence of war, command economies or prior colonial relationships. The data set covering the period of the Cold War between 1960 and 1990 revealed that members of a preferential trading arrangement, who were allies, conducted more trade within the region to the tune 120% to 140%, compared with non-allies.

How does the story of East Asia fit into the theory that suggests a relationship between alliances and trade? Asian prosperity, which began with Japan and subsequently

engulfed the ASEAN and China, was promoted through US initiatives. Second, these countries were anti-communist at the time when they became a part of the co-prosperity sphere. Even though the relationship of all ASEAN countries with the US was not similarly intimate, they were united against communism and were firmly opposed to the rise of Vietnam in Indo-China. Much has been written about the evolution of norms within the ASEAN countries, which stressed non-interference and avoidance of conflict among the member countries of the region. A common purpose could evolve partly due to the opposition to communism, and, the rise of Vietnam in Indo-China. The antidote for communist insurgency in East Asia was economic development through a strategy of exports oriented development.

The end of the Cold War drastically changed the security climate in Asia. ASEAN was able to admit Vietnam into the fold in 1995. This was a significant development as Vietnam had been its archenemy during the Cold War. By 1998, Laos, Cambodia and Myanmar also became members of the ASEAN. This meant that with the decline of security concerns arising out of the Cold War, the entire Southeast Asian region had come under the umbrella of a regional organization.

The Legacy of Bandung: India in Asia

The Political Factor

India attempted to build an Asian solidarity on two important pillars at Bandung in April 1955. These were de-colonization and non-alignment. India had convened a successful conference on Indonesia in December 1948. As the decolonization of Asian states progressed, India opposed a bipolar world with two separate spheres of influence. It needed to convince post-colonial states of the merit of its policy of non-alignment with respect to power blocs. It had wished that countries of Asia and Africa would form a solidarity based on cooperation and development that would not require either of the super powers for security.

Faith in Asian civilization and values turned out to be a third though much less effective source of Asian solidarity. Jawaharlal Nehru opined that Asia had had a past and the time for Asia had arrived again, as colonialism had been dealt a mortal blow. Indian culture had made an impact in South East Asia through Hindu and Buddhist cultural influence in the region. Nehru was enamored by the continuity and depth of Chinese civilization and had

asserted that the two great countries had a dense and deep interaction, which was interrupted only by the colonial interlude. Asian cultural superiority and identity could play a role in galvanizing the region once again.

Such notions of pan-Asianism were viewed with skepticism by many countries in the immediate aftermath of colonialism in Asia. Perhaps the most important occasion for expressing Asian solidarity, was the Asian Relations Conference held in New Delhi in 1947. Even at the height of Asian solidarity in 1947, Sino-Indian differences over Tibet had emerged in this conference. The Chinese had protested against a map that showed Tibet as a separate state. Delegates from Burma and Malaysia had worried that Asian domination might turn out to be worse than Western domination. Neither China nor India could concede leadership to the other party. The next proposed conference to be held in China in 1949 had to be abandoned. The Arabs were not interested in participating in such a conference. This conference mechanism for developing Asian solidarity had to be wound up by 1957.

In the early 1950's, Nehru enunciated the idea of an Afro Asian area of peace. He had defined it as an area that did not wish war, or, one that wished for peace and cooperation. It would work towards removing poverty and backwardness. The Afro-Asian bloc was not a homogenous bloc, and, was often opposed to the prickly Indian leadership of V K Krishna Menon in the UN. The African nations could not support India's candidacy for election to the Economic and Social Council, thus enabling Japan to get elected.

The cornerstone of Asian solidarity that remained for Nehru to exploit during the period preceding the conference in Bandung in April 1955 was to keep Asia out of the Cold War bi-polar politics of the blocs. For this to happen, states in Asia needed to trust each other so that they would not desire the intervention of the super powers. This would get increasingly difficult due to competition between the US and the communist world for supremacy in Asia. To give one example, Carlos Romulo of the Philippines became deeply interested in the conference idea after the success of the Indian initiative on Indonesia, which was designed to fight the Dutch intervention in 1948. Romulo had planned a conference in Baguio in 1949, which would kindle the spirit of the conference on Indonesia. India opposed this conference on the grounds that this conference might turn into an anti-communist platform. Discussions had taken place between Romulo, Syngman Rhee and Chiang Kai-shek, all of whom were considered to be close to the US. India hesitatingly agreed to a low-

key participation in the Baguio conference after the names of Syngman Rhee and Chiang Kai-shek were dropped from the list of conference invitees.

A few Asian countries had begun to worry about the security predicament emanating from the communist insurgency. At the Colombo Powers⁴ conference of April 1954, both Ceylon and Pakistan raised the issue of the communist threat. Pakistan had also raised the issue of Kashmir. They wished to declare communism as the major threat facing the region. It was only after considerable opposition from India and Indonesia that the watered down resolution sought to condemn interference by communist and non-communist states alike. The situation evolving in Indo-China was viewed with concern. The participants agreed to go ahead with the conference in Bandung in April 1955. The Colombo Powers conference met for the last time in 1956

US arms aid to Pakistan in 1954 was a significant setback for India's policy of non-alignment. While the official US view was that this aid was not against India, there were hints that it was to teach a lesson to India for its neutralism. In 1951, Dulles had undertaken a fact-finding tour of Asia and had omitted India from the list of countries he visited. The United States had opposed India's inclusion in the Far Eastern Political Conference in 1953. Burma was also excluded from this conference because of its close ties with India. When India was unceremoniously invited at the last moment, it declined the offer. It worried that the treaty being negotiated by the US would only promote its sphere of influence in Asia.

Nehru became dependent on China for asserting the importance of an Asian bloc, which would base its behavior on the principle of peaceful coexistence. Within months of the US aid to Pakistan, Chou En-lai visited India and reaffirmed the five principles of peaceful coexistence. They signed a joint declaration in New Delhi in June 1954. India had hoped that the five principles of peaceful coexistence embodied in the Panchashila Agreement between India and China, where India accepted China's sovereignty over Tibet, would become a model for promoting peace in the newly emergent nations.⁵ This agreement was timely as it came a year before the Bandung conference. If states could coexist peacefully by abiding certain principles, there would be little need for super powers in Asia.

⁴ The Colombo powers included Ceylon, Burma, India, Indonesia and Pakistan.

⁵ These principles were 1) mutual respect for sovereignty and territorial integrity; 2) non-aggression; 3) non-interference in the domestic affairs of other states; 4) mutual help; and, 5) pacific coexistence.

One of the successes of Bandung for Nehru was India's ability to discourage Cambodia and Laos from entering the US alliance, even though they felt insecure with respect to developments in South Vietnam. Chou En-lai was invited to Bandung at Nehru's insistence. And, Peking and Hanoi were encouraged to pledge themselves to the Panchashila principles of peaceful coexistence. Nehru saw an opportunity in Bandung to lobby Asian countries against the South East Asian Treaty Organization. Nehru played a critical role in convincing Cambodia and Laos about China's commitment to the Panchashila principles. Prince Norodom Sihanouk of Cambodia visited New Delhi for twelve-days in March 1955. By the end of the visit he was convinced of the Panchashila route to peace. This visit was significant because it occurred after Dulles's visit to Cambodia and barely weeks before the Bandung conference. Dulles had earlier tried to convince Sihanouk to join the US alliance.

Sihanouk's Delhi visit was followed by the visit of Pham Van Dong, the foreign minister of the Democratic Republic of Vietnam in April 1955, just ten days before Bandung conference. Van Dong pledged allegiance to the Panchashila principles and agreed to aid the work of the International Control Commission (ICC) chaired by India. The ICC had the mandate to look into the problem of Indo-China at that time. U Nu of Burma, Nehru and Van Dong traveled together to Bandung from Rangoon in April 1955.

Nehru's success in Bandung lay in his ability to get Chou, Van Dong, U Nu and Sihanouk together to pledge allegiance to the Panchashila principles of coexistence. The Laotian Prime Minister Katay Sasorith observed that if the five principles, especially those related to non-interference and non-aggression were observed, this would solve many problems in international relations. Chou reassured the Thai delegation about China's strict adherence to the five principles. Later, he went to lunch with Sihanouk and assured him of the same. Nehru had a private meeting with Chou, Sasorith, Van Dong and Sihanouk, where he raised the concerns of Laos and Cambodia. Chou and Van Dong gave assurances of non-interference in Laos and Cambodia. The group came out with a remarkably harmonious joint statement.

Chou's charm impressed even pro-US heads of state like Mohammed Ali of Pakistan, Wan of Thailand, and Romulo of the Philippines. There was a general feeling at the conference that China did not present the kind of danger that they had expected. The diplomacy of tying Panchashila to non-alignment depended heavily on the Chinese acceptance of the principles. It was a temporary source of comfort for anti-communist

countries in the region. Faith in the principles of Panchashila reduced their need to rush to the US for help in the short-run.

The conference was as much a source of discomfort for Nehru. Many felt that Chou's friendly demeanor won the day while Nehru's leadership was viewed with suspicion. It was Nehru rather than Chou who faced a barrage of criticism from countries such as Turkey, Iraq, the Philippines, Siam, Pakistan and Ceylon. Nehru was hardly called upon to mediate between China and the rest. Even though Ceylon and Pakistan brought in Cold War issues by openly condemning communist colonialism, they were in friendly terms with Chou. Nehru could not entertain the Iraqi proposal of Fadhil Jamali of forming a third bloc of developing countries.⁶ Acutely aware of Chou's ability to exploit conference diplomacy to China's advantage, Nehru became skeptical about future conferences of this sort. Neither Nehru nor the Congress Party wished to do China's bidding by facilitating Chinese participation.

There were two views about Panchashila in Indian Politics. Nehru's view, which had the most sympathetic press coverage, was that Panchashila was the best way to fight super power politics and create an autonomous political space for the post-colonial world. There was another powerfully articulated view of the socialists within the Praja Socialist Party, which suggested that Panchashila was too big a price to pay for Chinese support for India's quest for a particular international morality. Acharya Kripalani, an exponent of this view, had argued that Panchashila was a deal which implied acceptance of Chinese sovereignty over Tibet without obtaining any clear concessions for India on the border question. Chinese incursions into territories that India had considered its own had ensued since 1954.

The paradox of Panchashila in Sino-Indian relations was that the two countries, which had not even settled their own borders, were trying push for an international relations based on mutual trust. Relations between the two countries were aggravated by Chinese activities in Tibet and the escape of Dalai Lama to India.⁷ Nehru was quite aware of the irreconcilable border differences, which had discouraged him from discussing these issues with Chou either in China or in India. Curiously enough, Nehru had faith in Panchashila, despite knowledge of the differences. He did not bring matters regarding border incidents to the Parliament until August 1959. India's defense preparedness with respect to China had left much to be desired.

⁶ Congress socialists and the British labor party leader Aneurin Bevan had made such a suggestion in the past.

⁷ The rivalry over maps had emerged in 1947 when India had shown Tibet as an independent country.

The death knell to Panchashila was spelled out in a letter written by Chou to Nehru in September 1959, where Chou alleged that Indian demands with respect to the border amounted to formal recognition of British imperial aggression against China. China practiced a consistent policy of forward movements into India between 1959 and 1961. Despite this, and clear evidence about China's intentions, India neither negotiated the border nor adequately prepared for war. The Chinese aggression of October – November 1962 resulted in a humiliating situation for the Indian Army. This defeat was one reason that made India re-think its need for a greater level of defense preparedness with respect to its neighbor.

The logic of the Cold War was now clearly reflected in Asia. The ASEAN nations united as a group of states that believed in non-interference and anti-Communism. The fall of Sukarno and coming to power of General Soeharto in Indonesia aided the formation of a pro-US group of states in Southeast Asia, which included Malaysia, Indonesia, Thailand, Philippines and Singapore. They began to participate in market-oriented development to check communism, aided by the US and Japan. Various proposals such as the Zone of Peace, Freedom and Neutrality (ZOPFAN, 1971); and, the Treaty of Amity and Cooperation (1976), expressed this urge. The ASEAN countries got united in their opposition and did not recognize the Heng Samrin government in Kampuchea (earlier Cambodia), which had come to power with Vietnamese support. Thailand provided refuge to the defeated forces of Pol Pot. Japan, South Korea and Taiwan were firmly in the US camp. China's relations with the US improved considerably after the Nixon visit and drew it closer to ASEAN.

India continued to be skeptical of countries that veered closer to the US and sought security guarantees from the USSR. India's Treaty of Friendship and Cooperation with the USSR in 1971 coincided with ASEAN's proposal for the ZOPFAN. While India welcomed ZOPFAN as an assertion of independence within Southeast Asia, the Indo-Soviet Treaty was viewed with skepticism in Southeast Asia. India's dependence on Soviet military hardware only grew over time.

All this did not augur well for India's relations with anti-communist countries in Asia during the Cold War. ASEAN countries had resented India's signing the Treaty of Friendship and cooperation with the Soviet Union in 1971. Despite the fact that Singapore supported India in the 1965 war, India had not responded to its request for helping Singapore set up its army. India showed indifference and hostility towards Malaysia's invitation in 1975 and in 1980 to Kuala Lumpur, to participate in a dialogue with ASEAN. Even the chances of

improved relations with India during Janata Party's rule (1977-1979), after the Congress Party's first electoral debacle at the national level, did not bear results. India's position was complicated by the situation in Indo-China, when Heng Samrin came to power in Kampuchea. In 1979, Indian delegations traveling to ASEAN countries were viewed as trying to persuade these countries to recognize the Vietnam-backed Samrin government. India wished to strengthen Vietnam vis-à-vis China and showed its support to the USSR. The Soviet invasion of Afghanistan was also a dampener for relations between India and Southeast Asia. Consequently, the visits by Prime Minister Indira Gandhi and Foreign Minister P V Narasimha Rao in 1981 for mending Indo-ASEAN relations did not meet with success. Neither could Rajiv Gandhi's prime ministership could yield results, largely due to the differing positions on Vietnam.

The Cold War had taken its toll on Asian solidarity. India and Vietnam had veered closer to the Soviet position while most other countries had veered closer to the US. The security of Asia was not considered the security of a collective that included India. A part of Asia, which became participants in a quest for collective security and global economic interdependence, and pursued development through export promotion, was unfavorably disposed towards the USSR. Consequently, India had to stay out of the Asian co-prosperity sphere.

The end of the Cold War was therefore a landmark opportunity for India and the ASEAN to come together with respect to their strategic concerns. No longer would the US, Japan or countries of Southeast Asia worry about India's taking opposing strategic sides. India's military cooperation with the US and countries of Southeast Asia had become significant. India was invited to the ASEAN Regional Forum in 1996, a year after it was made a full dialogue partner of the ASEAN. Indonesia, Malaysia and Singapore have held joint naval exercises near the Andamans since late-1991. India supplied Malaysia with training and spare parts for its Russian Mig-29 aircraft. Singapore was the one country with access to training facilities at Cochin's Southern Naval command. It also used India's missile testing range at Chandipur. The defence cooperation agreement signed by the two countries in October 2003 was significant. Thai pilots were trained to fly sea harriers in India. Vietnam was likely to seek India's help in upgrading its Russian Mig-21 fighter aircrafts. The navies of India and Indonesia jointly patrolled the straits of Malacca. Even Philippines had expressed interest in the Indian navy. A fascinating facet of India's naval diplomacy was the

coming together of the navies of the Bay of Bengal, including Bangladesh, India, Sri Lanka, Indonesia, Malaysia, Singapore and Thailand, near the Andaman Islands in a congregation, which was aptly christened *Milan* or confluence.

The Economic Factor

The ideological and strategic battles at Bandung were not about the relative success of closed economies. It turned out that those countries that opted out of the Soviet sphere also held a more positive view of global economic interdependence. India, on the other hand, was neither anti-communist nor a believer in the benefits of trade for a long time. This became clear immediately after independence when debates raged about the role of trade in India's development. The Bombay Plan suggested by the business house of the Tata's, which took a relatively benign view of trade, was rejected. India, on the other hand, believed that trade in the post-colonial world would perpetuate both dependence and poverty, and, destroy India's manufacturing potential.

India opted instead to borrow from a Soviet planning model of 1928, believing that Indian conditions of the 1950s were similar to those of the Soviet Union in the late 1920s. India needed to generate savings and investment from within the large Indian economy, and, to use imports only for the domestic production of consumer durables. This was consistent with the development literature supporting import-substituting industrialization (ISI), which had argued that countries needed to protect their markets for a while before they could compete with the rest of the world. Without learning and network externalities created within a protected market, firms in these countries would never be able to compete with the rest of the world. India's import substituting industrialization (ISI) with an overvalued exchange rate that made exports exorbitantly expensive; stringent licensing conditions for imports and for manufacturing in all sectors; and, financial incentives for domestically oriented manufacturing, discouraged exports. In 1966, India devalued its currency under pressure from the donors during a balance of payments crisis but reverted to the most stringent autarkic policy between 1969 and 1974. Even the first oil shock was inadequate to change India's mind. India's share of manufacturing exports of the world fell from 0.84% in 1962 to 0.54% in 1992.

The late 1970s was a period when the government of India initiated a critical re-think of its past policies. Various reports of the Government of India stressed the need for exports and

efficiency considerations. It was only in the early 1980s that some gradual changes favoring efficiency and export promotion were introduced. Rajiv Gandhi introduced bolder measures in the mid-1980s but these could not succeed as desired because of a political economy biased in favor of ISI. The most important development of the 1980s was that reformist technocrats with a shared consensus regarding the inadequacies of import substitution had arrived within the Indian policy-making elite.

India had to wait for the balance of payments crisis of 1991, when the executive team of Prime Minister Narasimha Rao and Dr Manmohan Singh initiated far-reaching reforms of the Indian economy. The crisis was the pivot around which the convinced technocrats could overturn the earlier bias in the political economy favoring ISI. The story of 1991 was therefore a remarkable contrast to the devaluation under US pressure in 1966. These reforms, which were homegrown, covered areas such as trade policy, exchange rate management, and industrial licensing to begin with. They subsequently came to involve other areas, such as privatization of loss-making state assets, and, the introduction of competition and private capital in infrastructure areas such as telecommunications, power, banking, airlines, and, a host of services that were considered critical for India's global competitiveness. India was also actively seeking foreign capital through foreign direct and portfolio investment. Despite the gradual pace of India's reforms, the commitment to economic reforms is has been steady.

India's embrace with global economic interdependence generated the need for trading partners. India's "Look East policy" ran parallel to its economic liberalization program. ASEAN countries had expressed reservations about India's joining the ASEAN in 1987. Finance Minister Dr Manmohan Singh went to Malaysia and Singapore in April 1991, soon after the balance of payments crisis. This was the Finance Minister's first trip abroad. Prime Minister Rao traveled to Japan in 1992. In his historic Singapore lecture at the Institute of South East Asian Studies in 1994, Rao defined the role of the non-resident Indian for fostering the development of the motherland.

Proactive Indian diplomacy at the end of the Cold War transformed ASEAN – India relations. India was offered the status of a sectoral dialogue partner in 1992, and in December 1995, India, China and Russia were given the status of full dialogue partners. India and Singapore signed the Comprehensive Economic Cooperation Agreement (CECA), which became operational from August 1, 2005. This is the first free trade agreement signed by India. The agreement will lead to a mutual elimination of tariffs, with Singapore making

greater concessions to begin with. Second, there is recognition of national treatment⁸ in the service sector, and, easier mobility of natural persons across the two countries. Third, India hopes that these provisions will not only help it to launch commerce in East and Southeast Asia but also to attract significant foreign investment. Cooperation among the best Indian institutions such as the IIT (Mumbai) and the Indian Institute of Science (Bangalore) and Singapore institutions has been stressed.⁹

South Korea has been a successful investor in India. Daewoo and Hyundai raised their investment in India from US \$ 12 million in 1994/95 to US \$ 333 million in 1996. In June 2005, the Korean steel manufacturer Posco signed an understanding with the Government of Orissa agreeing to invest \$ 12 billion in the state for mining and producing iron and steel. Japan's foreign investment in India is much less even though its Overseas Development Assistance to India is substantial (\$ 4.2 trillion).

India's economic relations with China have undergone a transformation, despite politically contentious issues like the boundary dispute and the question of Tibet. Prime Minister Vajpayee's China visit in 2003 was a major breakthrough in commercial terms. Bilateral trade, which was US \$ 3 billion at the end of 2000, was US \$ 13 billion in 2004. India enjoyed a trade surplus of US \$ 1.78 billion. There were expectations that the volume of Sino-Indian trade could reach US \$ 30 billion by the end of the decade. Premier Wen Jiabao's India visit in April 2005 gave stimulus to the task of pushing a free trade agreement with India.

The Bandung summit of April 2005 was a study in contrast. The end of the Cold War had a salutary effect on the summit. Countries of Asia and Africa could come together on issues such as development and greater voice in international relations. Trade and development were not in dispute but the Western control over natural resources of the South was decried. The post-colonial world itself had among its members both great manufacturing powerhouses as well as those countries that could supply raw materials. The important question was whether they could create enough commercial and cultural ties among themselves and reduce barriers to commercial exchange.

⁸ National treatment in service trade is akin to zero duty in manufacturing trade. National treatment ensures that a foreign service provider gets all the benefits that are available to domestic service providers.

⁹ India's exports to ASEAN countries grew from \$ 1 billion to \$ 3.4 billion between 1991 and 2001. Its imports between 1992 and 2001 grew from \$ 1.3 billion to \$ 4 billion. Between 1991 and 1998, ASEAN investments in India were to the tune of \$ 2.5 billion.

The Indian Prime Minister, Dr. Manmohan Singh's, call for a more democratic version of globalization found a lot of supporters. Pakistan did not participate in an anti-India campaign. India's relations with China were cordial. Dr. Singh's humble, erudite and dignified interventions won for him and India the Presidentship of the New Afro-Asian Strategic Partnership. It was agreed that there would be a second conference after four years in South Africa. The US did not seem to view this solidarity for progress as being antithetical to its interests.

Lessons from Bandung

India struggled with a policy of non-alignment, which was supposed to provide it with some autonomy from super power politics during the Cold War. It was especially concerned with keeping the US out of Asia. Many countries in Asia were worried about the threat from communism and wished either US support or the creation of a third bloc of post-colonial states, which could accept India's leadership. India was in favor of neither and offered instead the Panchashila principles of peaceful coexistence. The 1954 Sino-Indian agreement on the Panchashila principles pointed towards a model of peace based on the practice of non-interference, non-aggression and harmonious coexistence. If two large countries with territorial differences could live peacefully on the basis of principled behavior, this could be a lesson for others. India's limited success lay in getting China and the states of Indo-China to commit to the Panchashila principles. This temporary withholding of the Cold War in Asia could be viewed as India's success in pushing for a normative order, despite the Cold War.

In the long run, non-alignment and Panchashila failed to create an Asian security community consistent with India's vision. Panchashila could not produce an Asian security community independent of the USA. The security community that evolved among countries of Southeast Asia had the blessings of the USA. India was isolated from the anti-communist group because it veered closer to the USSR. Second, India was not committed to promoting its trade as an engine of growth till 1991. It was content on a development strategy that would generate a surplus within a closed economy. It therefore needed neither security nor economic linkages with Southeast and East Asia, which had cordial relations with the USA.

The alliance against communism in Southeast and East Asia developed production and trade networks with the help of US and Japanese support, in the form of access to capital and markets. The US's success ultimately laid in the fact that anti-communist Asia became a

robust area of growth in the world economy. Trade and investment networks developed more spontaneously among states that united in their fight against communism. The story of economic development in Southeast and East Asia lent support to the proposition that trade relations among states that did not pose a security threat was likely to be more robust than those that posed a security concern. India did not participate in the Asian growth story till 1991, as long as the Cold War ensued.

What were the imperatives for India's "Look East policy" in the post-Cold War era, and, why was it succeeding? Both the security and economic considerations impeding India's engagement with Asia had changed after 1991. The Cold War had ended and India had evolved a policy of constructive engagement with the US and the rest of Asia. India had also found benefit from exploiting international trade and capital, as components of its strategy of economic development. It was natural for India to look eastwards towards the rest of Asia for trade and capital, once the skepticism about its close ties with communism and global economic integration had been removed. This strategy had produced tangible results. India secured a place as a dialogue partner of the ASEAN. India's Prime Minister, Dr. Manmohan Singh was elected President of the New Afro-Asian Strategic Partnership (NAASP) in April 2005. And, India signed its first Comprehensive Economic Cooperation Agreement (CECA) with Singapore in June 2005. CECA could serve as a model for other economic partnerships in the future.

India, Southeast Asia and China needed to ensure that security concerns did not obstruct production networks from going beyond the ASEAN and China in the direction of South Asia. Hegemonic initiatives that heightened insecurity in the region needed to be checked. The positive sum in Asian economic interdependence, which was driven by production networks in the region, needed to be boosted. The end of the Cold War and India's globalizing growth strategy offered this possibility. Asia's economic regionalism, which was less institutionalized and yet more open than European regionalism, offered the hope that it could become an inclusive way to strengthen multilateralism in the post-Cold War world. India would welcome Asian regionalism as a way to generate a genuine multilateral and democratic international economic and political order.

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